



GENERAL DISTRIBUTORS OF CANADA LTD.

*Annual
Report*

FISCAL YEAR ENDED JANUARY 31, 1971

GENERAL DISTRIBUTORS OF CANADA LTD.

Head Office: 1370 Sony Place, Fort Garry, Winnipeg 19, Manitoba

DIRECTORS

ALBERT D. COHEN	President, General Distributors Limited
HARRY B. COHEN	Director, General Distributors Limited
JOHN C. COHEN	Director, General Distributors Limited
JOSEPH H. COHEN	Director, General Distributors Limited
MORLEY M. COHEN	President, Metropolitan Stores of Canada Limited
SAMUEL N. COHEN	Vice-Chairman of the Board, Metropolitan Stores of Canada Limited
F. N. HUGHES	Partner, Richardson Securities of Canada
G. R. HUNTER, Q.C.	Partner, Pitblado, Hoskin & Company
CAMERON G. MANN	President, Cam-Gard Supply Ltd.

OFFICERS

ALBERT D. COHEN	President & Chief Executive Officer
HARRY B. COHEN	Vice-President
JOHN C. COHEN	Secretary
SAMUEL N. COHEN	Treasurer
G. D. B. POFF, C.A.	Comptroller
S. R. LYON, Q.C.	General Counsel and Assistant Secretary

Registrar and Transfer Agent

THE CANADA TRUST COMPANY
232 Portage Ave., Winnipeg.

Auditors

MCDONALD, CURRIE & CO.
Richardson Bldg.,
One Lombard Place, Winnipeg.

REPORT OF DIRECTORS

To the Shareholders of
General Distributors of Canada Ltd.

Your Board is pleased to report another year of progress and expansion in your company's operations through its various subsidiaries.

Sales and earnings results were gratifying in a year in which many sectors of the economy were depressed. In May, 1970, your company acquired four new wholesale electronic outlets in Nova Scotia and New Brunswick through the acquisition of Consolidated Supply Company Limited. This new company is being integrated into Cam-Gard Supply Ltd.'s operations and is expected to provide a profitable addition to the company which heretofore has been represented only in the four Western provinces.

SALES

Consolidated sales of the company for the 1971 fiscal year were \$91,173,878.*, a 10% increase over consolidated sales of \$83,092,048. in the previous fiscal year.

EARNINGS

In 1971, the consolidated earnings of the company* increased by 19% to \$2,205,171.** compared to \$1,857,741. in fiscal 1970. This is the equivalent of 73¢ per common share based on 3,035,180 common shares outstanding. In 1970, earnings per share were 61¢ on 3,031,400 shares outstanding.

DIVIDENDS

Your Directors have determined that no divi-

dend will be declared at this time. The policy on dividends will continue to be reviewed.

GENERAL DEVELOPMENT

In 1971, Metropolitan Stores of Canada Limited marks the 10th anniversary of its Canadian-owned status. The past fiscal year was one of satisfactory increases in sales and earnings. Store development will be accelerated in 1971 with six new Met stores, one Saan store and one Greenberg store projected for opening during the year, adding a further 200,000 sq. ft. to the company's gross selling area of 1,900,000 sq. ft.

Metropolitan's major construction programme in 1970 was the completion and occupancy of the new office and warehouse complex in Greater Winnipeg. The new quarters will accommodate the head offices of your company as well as those of Metropolitan, Saan Stores Ltd. and General Distributors Limited. The 56,000 sq. ft. warehouse provides merchandise processing equipment for Saan as well as centralized bonded warehousing and shipping facilities for all Sony products distributed by General Distributors Limited.

A summary of the results of Metropolitan Stores of Canada Limited appears in this report. The detailed annual report of Metropolitan is available on request.

Cam-Gard Supply Ltd. and its wholly owned subsidiary, Consolidated Supply Company

METROPOLITAN STORES OF CANADA LIMITED — FINANCIAL SUMMARY

Years Ended January 31

	1971	1970	1969	1968	1967
Number of Stores	157	160	154	149	130
Sales	68,974,551	64,659,238	60,680,480	50,018,434	37,740,336
Earnings after tax	2,194,936	2,018,369	2,020,852	1,762,137	1,239,840
Preferred dividend	338,705	359,450	361,281	194,870	195,000
Earnings for common shareholders	1,856,231	1,658,919	1,659,571	1,567,267	1,044,840
Earnings per common share	\$2.18	\$1.94	\$1.94	\$1.83	\$1.22

*Including results of Consolidated Supply Company Limited for the nine month period May 1st, 1970, to January 31st, 1971.

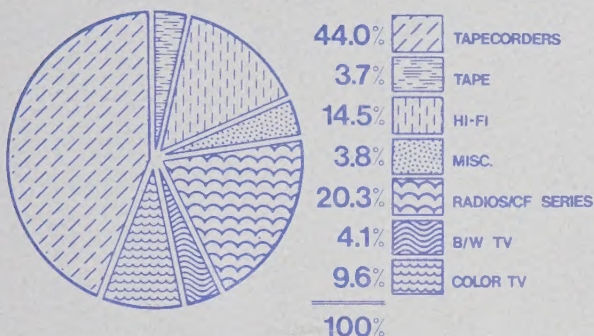
**This figure does not include extraordinary income derived from gain on sale of fixed assets of \$74,748., representing 2c per common share.

Limited operate a total of twelve wholesale electronic outlets, eight in Western Canada and four in the Maritime provinces. A new product line of electronic components bearing the brand name Jana has been developed and introduced by the company and is enjoying ready acceptance in the market.

SONY

NEW SONY PRODUCTS FOR 1971

General Distributors Limited this year will be introducing a number of new Sony models to its 115-item product line available in the Canadian market. A breakdown of sales by product for the last fiscal year is shown in the attached chart.



TRINITRON

Sony engineers have developed a totally new concept in color T.V. — the Trinitron single gun system which was first marketed in Canada in 1969. This year a larger screen size — 17 inch (diagonal measurement) — will be available to Canadian consumers. The larger screen size will undoubtedly stimulate expansion of Sony color T.V. sales across Canada.

CASSETTE TAPE RECORDERS

Marked advances in technology of cassette tape recorder design have resulted in new cassette tape decks which verge on the high fidelity classification. The new Sony deluxe cassette stereo tape machines provide compactness, ease of handling and high performance. We expect that Sony cassette tape recorders will enjoy an increasingly larger share of tape recorder sales in Canada.

SONY TAPE

During 1970, sales of Sony tape in Canada increased 100% over the sales of 1969. The superior quality of Sony recording tape both in open reel and cassette form is the main contributor to strengthened sales.

SONY CORPORATION

During 1970 Sony Corporation completed construction of an automated production facility for Sony Trinitron picture tubes and receivers. Both the picture tube plant and the receiver plant are among the most modern factories of this type in the world. These facilities assure the highest quality and fastest delivery of Trinitron sets to world markets.

NATIONAL SERVICE DEPARTMENT

A position of National Service Manager was created at the Winnipeg head office in 1970. The National Service Manager will supervise the efficient operation of the General Distributors Limited service departments and over 100 authorized Sony Warranty Stations in Canada. National stock of Sony parts will be located in Winnipeg after April, 1971, and a streamlined parts system will be incorporated to supply the dealers and warranty stations across Canada.

PERSONNEL

Arthur N. Demasson and Bryan E. Martin have been appointed Vice-Presidents of General Distributors Limited. Mr. Demasson is a graduate of the University of Manitoba with a Bachelor of Science in Electrical Engineering. Since joining the company in 1966, Mr. Demasson has been General Manager, Electronic Products. He will be responsible for the Television and Hi-Fi components division.

Mr. Martin has been with the company since 1960. For the past four years, he has been Assistant to the President. He will be responsible for the tape recorder and transistor radio divisions.

IN APPRECIATION

The growth and progress of your company and its subsidiaries is largely attributable to the dedicated staff, suppliers and customers of the various subsidiaries. To them, the Directors extend their appreciation on behalf of the Board and all shareholders.

OUTLOOK

Prospects for this year in Sony sales and the wholesale electronic sector are encouraging. Sony consumer products are enjoying increasing popularity in the Canadian market. The expected improvement in the economy should also benefit Cam-Gard's operations in Western Canada and the Maritimes. Your Board therefore anticipates another year of satisfactory growth in sales.

President

Winnipeg, Canada.
March, 1971.

GENERAL DISTRIBUTION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS	1971 \$	1970 \$
Cash and short-term deposits	2,588,832	2,388,527
Marketable securities — at cost (quoted value \$9,200; 1970 — \$9,000)	9,361	9,361
Receivables (note 2)	4,272,603	3,477,179
Inventories — at the lower of cost or net realizable value	15,820,996	15,096,419
Prepaid expenses	343,054	368,773
	<u>23,034,846</u>	<u>21,340,259</u>
INVESTMENTS — at cost		
Sony Corporation — common shares (quoted value \$1,502,000; 1970 — \$1,934,000)	560,698	541,633
Advances and sundry investments	208,051	186,215
	<u>768,749</u>	<u>727,848</u>
FIXED ASSETS		
Land — at cost	5,600,638	5,834,349
Buildings, fixtures and equipment — at cost less accumulated depreciation (note 3)	11,751,489	9,739,845
Leasehold improvements — at cost less amortization	1,533,811	1,358,713
	<u>18,885,938</u>	<u>16,932,907</u>
OTHER ASSETS		
Deferred charges — at cost less amortization	47,633	71,913
Excess of purchase price of subsidiaries over equity in net assets at date of acquisition	2,937,853	2,906,022
	<u>2,985,486</u>	<u>2,977,935</u>
	<u>45,675,019</u>	<u>41,978,949</u>

Signed on behalf of the Board

ALBERT D. COHEN

DIRECTORS

S. N. COHEN

ET AS AT JANUARY 31, 1971

LIABILITIES

CURRENT LIABILITIES

	1971 \$	1970 \$
Bank advances (note 2)	5,214,131	4,806,075
Notes payable	600,000	800,000
Accounts payable and accrued liabilities	7,354,352	7,962,331
Income and other taxes	841,911	595,227
Long-term debt instalments due within one year	276,647	89,857
	<u>14,287,041</u>	<u>14,253,490</u>

LONG-TERM DEBT (note 4)

	6,256,160	5,533,985
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DEFERRED INCOME TAXES

	559,433	451,858
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MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANIES

	12,125,361	11,597,167
	<u>33,227,995</u>	<u>31,836,500</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)

Authorized —
5,000,000 shares without nominal or par value
Issued and fully paid —
3,035,180 shares (1970 — 3,031,400 shares)

	5,266,397	5,241,741
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RETAINED EARNINGS (note 8)

	7,180,627	4,900,708
	<u>12,447,024</u>	<u>10,142,449</u>
	<u>45,675,019</u>	<u>41,978,949</u>

GENERAL DISTRIBUTORS OF CANADA LTD. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED JANUARY 31, 1971

	1971 \$	1970 \$
SALES	91,173,878	83,092,048
COST OF GOODS SOLD AND OPERATING EXPENSES (notes 6 and 9)	83,931,940	76,863,703
	<u>7,241,938</u>	<u>6,228,345</u>
PROVISION FOR INCOME TAXES		
Current	3,699,125	3,175,206
Deferred	107,575	28,718
	<u>3,806,700</u>	<u>3,203,924</u>
	3,435,238	3,024,421
MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARY COMPANIES	1,230,067	1,166,680
EARNINGS BEFORE EXTRAORDINARY ITEM	2,205,171	1,857,741
EXTRAORDINARY ITEM		
Gain on sale of fixed assets	74,748	56,750
NET EARNINGS FOR THE YEAR	2,279,919	1,914,491
RETAINED EARNINGS — BEGINNING OF YEAR	4,900,708	2,986,217
RETAINED EARNINGS — END OF YEAR	<u>7,180,627</u>	<u>4,900,708</u>
EARNINGS PER SHARE		
Earnings before extraordinary item	.73	.61
Net earnings for the year	.75	.63

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL FOR THE YEAR ENDED JANUARY 31, 1971

	1971 \$	1970 \$
SOURCE OF WORKING CAPITAL		
Earnings before minority interest and extraordinary item	3,435,238	3,024,421
Items not affecting working capital —		
Depreciation of fixed assets and amortization of leasehold improvements and deferred charges	1,454,126	1,371,744
Deferred income taxes	107,575	28,718
Provided from operations	4,996,939	4,424,883
Long-term bank loan	1,000,000	—
Proceeds from issue of shares	24,656	46,319
Repayment of advances and special refundable tax	—	86,385
	<u>6,021,595</u>	<u>4,557,587</u>
USE OF WORKING CAPITAL		
Payment of advances and long-term debt — net	318,885	475,595
Additions to fixed assets — net	3,188,989	1,880,344
Shares of subsidiary companies acquired for cash	513,353	261,989
Investments and advances	35,551	177,410
Deferred charges incurred	38,814	66,751
Preferred dividends of subsidiary company	338,705	359,450
Redemption of preferred shares of subsidiary company	282,140	245,900
	<u>4,716,437</u>	<u>3,467,439</u>
INCREASE IN WORKING CAPITAL	1,305,158	1,090,148
Working capital acquired through purchase of subsidiary companies	355,878	—
WORKING CAPITAL — BEGINNING OF YEAR	7,086,769	5,996,621
WORKING CAPITAL — END OF YEAR	<u>8,747,805</u>	<u>7,086,769</u>

GENERAL DISTRIBUTORS OF CANADA LTD. AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JANUARY 31, 1971

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities and operating results of all subsidiary companies from the dates of acquisition.

2. BANK ADVANCES

The book debts of certain subsidiary companies have been pledged as security for bank advances to those companies.

3. FIXED ASSETS

Buildings, fixtures and equipment and related accumulated depreciation are classified as follows:

	1971			1970
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Buildings	9,495,965	2,282,096	7,213,869	5,466,434
Fixtures and equipment	10,188,854	5,651,234	4,537,620	4,273,411
	<u>19,684,819</u>	<u>7,933,330</u>	<u>11,751,489</u>	<u>9,739,845</u>

4. LONG-TERM DEBT

The long-term debt is classified as follows:

	1971	1970
	\$	\$
Metropolitan Stores of Canada Limited — bank loan, principal repayable \$200,000 annually, interest at prevailing bank rates	1,000,000	—
Metropolitan Stores of Canada Limited — 6½% first mortgage sinking fund bonds, Series "A", having a sinking fund requirement of \$240,000 in 1971 and progressively increasing annual requirements to a final maximum payment of \$540,000 in 1984. (At January 31, 1971, bonds with a value of \$289,000 had been purchased in advance of requirements.)	4,906,000	4,906,000
Metropolitan Stores of Canada Limited — 6¾% mortgage repayable by 1984 in monthly instalments of principal and interest of \$3,759	393,319	411,580
Greenberg's Department Stores (1962) Ltd. — 5% unsecured notes repayable by 1975 in annual instalments of principal of \$40,000	200,000	240,000
Cam-Gard Supply Ltd. — 7% mortgage repayable by June 1971 in monthly instalments of principal of \$2,000	10,000	34,000
General Distributors Limited — 6¾% mortgage repayable by 1973 in monthly instalments of principal and interest of \$792	23,488	32,262
	<u>6,532,807</u>	<u>5,623,842</u>
Less: Instalments due within one year	<u>276,647</u>	<u>89,857</u>
	<u>6,256,160</u>	<u>5,533,985</u>

5. CAPITAL STOCK

- (a) A stock option plan has been established for the purchase of an aggregate of 50,000 shares at a price of \$6.50 per share by key employees of the company and its subsidiaries. These options are exercisable over a five-year period terminating in 1973. For options not exercised under this plan by eligible employees, the shares are reserved for reallocation to the other eligible employees at an exercise price which approximates 90% of the market value of the shares on the date the options are reallocated. At January 31, 1971, options had been exercised on 18,176 shares, options covering a further 29,184 shares remain outstanding and a total of 2,640 shares have been reserved for reallocation as provided in the plan.
- (b) During the year 3,780 shares were issued for a cash consideration of \$24,656 on exercise of stock options.

GENERAL DISTRIBUTORS OF CANADA LTD. AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JANUARY 31, 1971

6. COST OF GOODS SOLD AND OPERATING EXPENSES

The following expenses (income) are included:

	1971	1970
	\$	\$
Depreciation of fixed assets and amortization of leasehold improvements	1,391,032	1,288,658
Amortization of deferred charges	63,094	83,086
Interest on long-term debt	369,294	388,495
Income from investments	(8,571)	(8,669)

7. LEASE COMMITMENTS

Rentals paid on property leases for the year ended January 31, 1971 amounted to \$3,243,533 (1970 — \$2,768,998). Minimum annual rentals in subsequent years on long-term property leases in effect at January 31, 1971 are:

Year ended January 31	Minimum annual rental \$
1972	1,976,000
1973	1,896,000
1974	1,784,000
1975	1,699,000
1976	1,586,000

Certain of these leases provide for additional rental based on sales. In addition, there are leases where rentals are based entirely on sales.

8. DIVIDEND RESTRICTION

Metropolitan Stores of Canada Limited is subject to certain restrictions on the payment of dividends as set out in the Deed of Trust and Mortgage securing the first mortgage bonds and as set out in the provisions attaching to its outstanding preferred shares. The dividend requirements are presently exceeded by a substantial margin.

9. REMUNERATION OF DIRECTORS AND OFFICERS

	1971	1970
Number of directors	9	8
Aggregate remuneration of directors as such	\$7,800	\$6,000
Number of officers of whom four are also directors	5	5
Aggregate remuneration of officers as such	\$245,000	\$220,000

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of General Distributors of Canada Ltd. and its subsidiaries as at January 31, 1971 and the consolidated statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position

of the companies as at January 31, 1971 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 12, 1971
Winnipeg, Manitoba

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

